

**Robert T. Blau, Ph.D, CFA**  
Vice President - Executive and  
Federal Regulatory Affairs

November 18, 1996

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
Washington, DC 20554

**BELLSOUTH**

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NOV 18 1996

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554

RE: CC Docket 96-98, CC Docket 96-149, and CC Docket 96-45

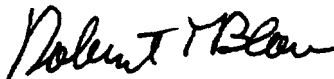
Dear Mr. Caton:

This is to inform you that on November 15, 1996, F. Duane Ackerman, David J. Markey, and the undersigned, all of BellSouth Corporation, met with Commissioner Quello, Commissioner Ness, Lauren Belvin, and James Casserly of the Commission concerning the above referenced subjects.

The purpose of the meetings was to discuss implementation of the Telecommunications Act of 1996. The attached charts and slides were discussed during the meetings. The discussion was consistent with BellSouth's position already filed in these proceedings.

Please associate this notification with the referenced proceedings. I am available to address questions and comments.

Sincerely,



Robert T. Blau

cc: Commissioner Ness  
Commissioner Quello  
Lauren Belvin  
James Casserly

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# Implementing the Telecommunications Act of 1996

◆ Local Interconnection  
Order

◆ Joint Marketing

◆ Access Reform

◆ Universal Service

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# FCC's Local Interconnection Order Will Give CLECs a Major Competitive Advantage

## Georgia Multi-line Business Average Flat Rate Customer for Highest Rate Group

|                               | Retail         | Resale<br>@17.3% | Rebundled      |
|-------------------------------|----------------|------------------|----------------|
| Flat Rate RG 12               | \$46.00        | \$38.04          | \$14.22(loop)  |
| Ancillary Service             | \$25.30        | \$20.92          | \$0.00         |
| Vertical Service              | \$5.05         | \$ 4.18          | \$0.00         |
| IntraLATA Toll                | \$2.99         | \$ 2.47          | \$0.92         |
| InterLATA Switched Access     | \$11.34        | \$11.34          | \$2.09         |
| Port Charge                   |                |                  | \$2.00         |
| Local Usage                   |                |                  | \$2.90         |
| SLC                           | \$6.00         | \$6.00           | \$0.00         |
| <b>Total</b>                  | <b>\$96.68</b> | <b>\$82.95</b>   | <b>\$22.13</b> |
| <i>Difference from Retail</i> |                |                  |                |
| <i>Amount</i>                 |                | (\$13.73)        | (\$74.55)      |
| <i>Percent</i>                |                | -14.2%           | -77.1%         |

Notes: 1). Average revenue for vertical service and intraLATA toll computed from July 1996 data. 2). Unbundled elements use FCC proxy rates and GPSC loop price. Local Switching @ \$0.003. 3). Resale discount rate is GPSC rate for BellSouth. 4). Rates reflect the following minutes of use: IntraLATA Toll - 25 minutes; InterLATA switched access - 465 minutes; and Local Usage - 492 minutes.

## Resale vs. Rebundled Discounts In BellSouth Region

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|                | Multi-line Business |               | Residence     |               |
|----------------|---------------------|---------------|---------------|---------------|
|                | Resale              | Rebundled     | Resale        | Rebundled     |
| Alabama        | -14.9%              | -68.9%        | -13.2%        | -21.6%        |
| Florida        | -14.0%              | -66.2%        | -10.6%        | -24.5%        |
| Georgia        | -15.8%              | -75.1%        | -12.7%        | -27.0%        |
| Kentucky       | -14.9%              | -72.0%        | -13.2%        | -19.0%        |
| Louisiana      | -15.0%              | -69.0%        | -12.5%        | -14.9%        |
| Mississippi    | -15.7%              | -70.1%        | -13.9%        | -14.4%        |
| North Carolina | -14.3%              | -67.0%        | -11.3%        | -11.1%        |
| South Carolina | -14.6%              | -70.2%        | -13.1%        | -22.8%        |
| Tennessee      | -15.7%              | -73.5%        | -12.9%        | -16.9%        |
| <b>BST</b>     | <b>-14.7%</b>       | <b>-69.6%</b> | <b>-12.1%</b> | <b>-20.8%</b> |

**Notes:**

- 1). Resale discount computed using FCC proxy of 19.2%
- 2). Rebundled discounts computed using FCC proxy rates and local switching @\$0.003/min.
- 3). BST discounts wtd. by 1 pty flat rate lines in service.

## Current:

### Interstate Switched

|                  |          |
|------------------|----------|
| CCL              | \$ 686M  |
| Switching        | 546M     |
| Transport        | 443M     |
| (including RIC)  | _____    |
|                  | 1.7 B    |
| SLC              | 1.0 B    |
| \$3.50 +         |          |
| \$6.00 Multiline | _____    |
|                  | \$ 2.7 B |

### FCC Scenario

#### New Access Charges:

|             |              |              |
|-------------|--------------|--------------|
| 1cent/min   |              | 0.5cents/min |
| Negotiated  | \$1.00 B     | TELRIC .50B  |
| Reduced SLC | <u>.95 B</u> | <u>.95B</u>  |
|             | 1.95 B       | 1.45B        |

#### Source of Funds:

|                                 |              |                    |
|---------------------------------|--------------|--------------------|
| USF                             |              |                    |
| Access Reform                   |              |                    |
| BLS cuts jobs and/or investment | (.75 B)      | <b>GAP (1.25B)</b> |
| Separation Changes/             |              |                    |
| State Price Increase            | <u>_____</u> | <u>_____</u>       |
|                                 | \$2.70 B     | \$2.70B            |

# Universal Service

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- ◆ Does not appear to address \$20 B in current implicit support mechanisms
- ◆ If \$20 B subsidy is not spread equitably over all carriers, USF will not be competitively neutral
- ◆ Allocation of fund support must be based on retail revenues to be competitively neutral
- ◆ Additional new subsidy required if SLC is lowered

# BellSouth End User Access Billing Proposal

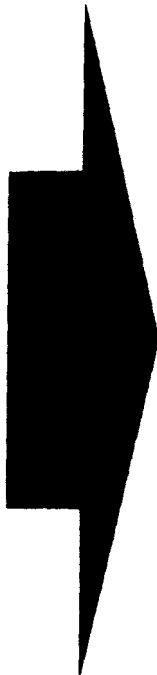
- ◆ Response to Commission signals on proper interconnection pricing
- ◆ Structure:
  - Implement after universal service price adjustments
  - Price originating and terminating access at same rate as local interconnection
  - Bill remaining access revenue shortfall to originating end user as surcharge on long distance calls
    - » Offsetting toll price reductions
  - Pricing flexibility commensurate with competition

# Customer Needs

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Customers tell us that they want...

- Simplicity
- Convenience
- Choice
- Reliability



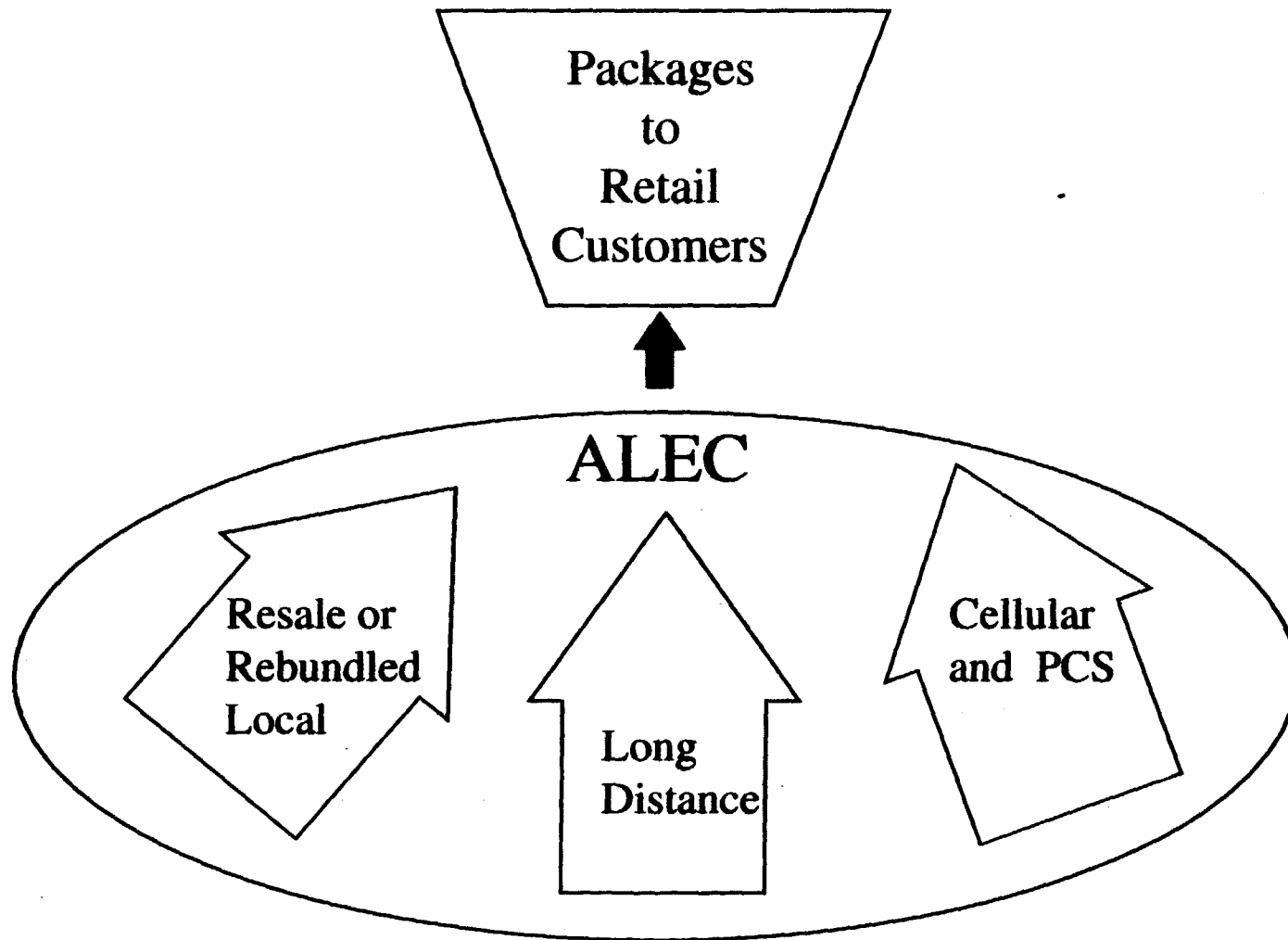
And they translate these into...

- Easy to understand plans
- One stop shopping
- Packages of services
- Discounts & pricing incentives
- Single Bill
- Single point of contact
- Dependable, well-known service provider



# HOW IXCS & OTHER COMPETITORS WILL MARKET TO END USERS

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# Competitors' Market Strategy -- SIMPLICITY

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## ◆ AT&T.ALL

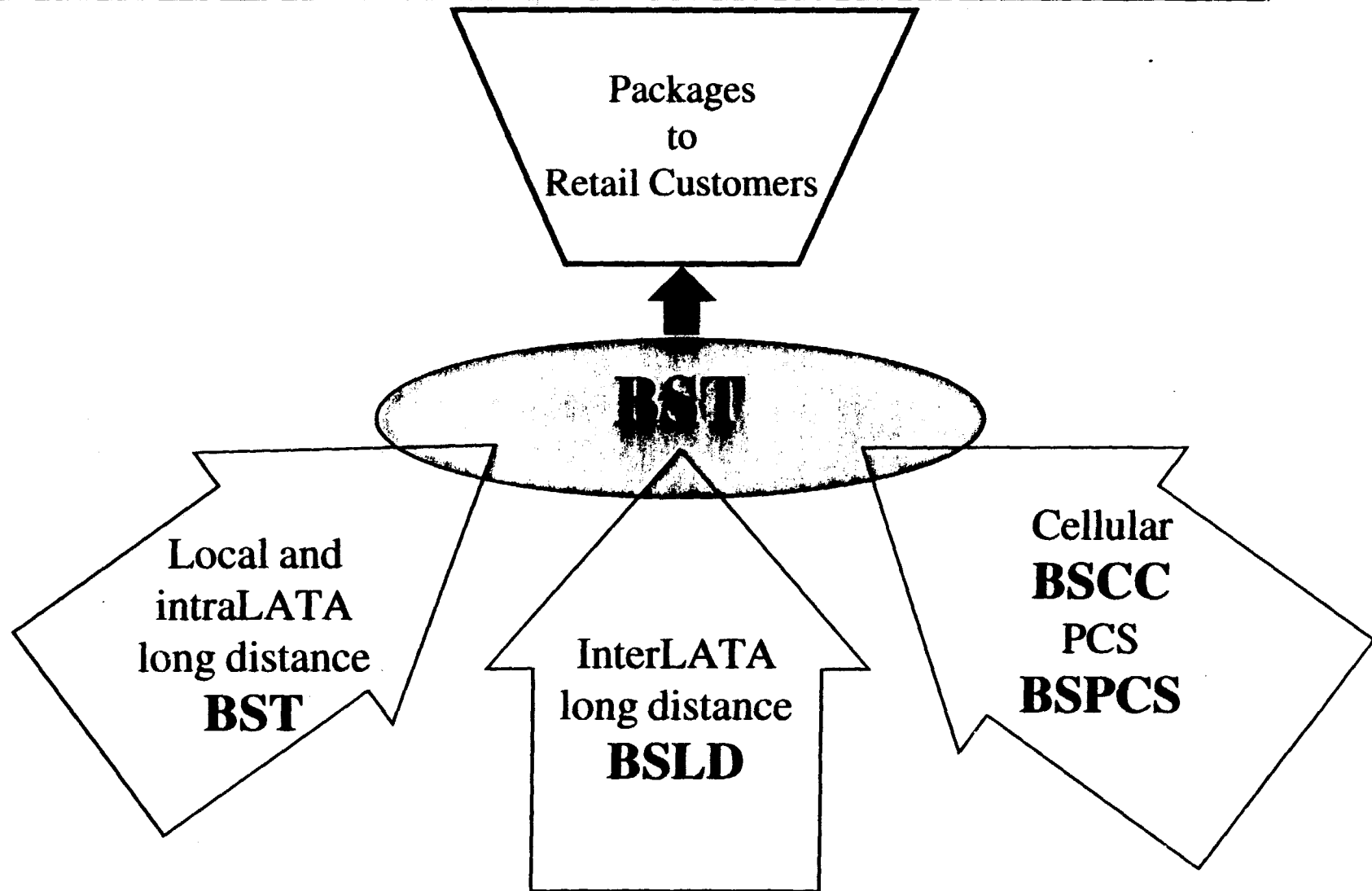
- One number to call
- One bill to pay
- All Services:
  - » Long Distance
  - » Local
  - » Internet
  - » Wireless

## ◆ BT/MCI ONE

- One number to call
- One bill to pay
- All Services:
  - » Long Distance
  - » Local
  - » Internet
  - » Wireless
  - » Voicemail
  - » E-Mail

# HOW BST MUST MARKET TO BE COMPETITIVE

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# **BellSouth's Joint Marketing Position**

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## **The FCC rules must allow for:**

- Competitive parity as markets open (already imbalanced)
- Sales and customer support with a single bill and single contact
- Joint advertising and use of brand
- Joint development of marketing plans without affiliate restrictions
- Sharing of released customer information across affiliates